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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 06/23/08

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- (1) Pending issues in education, ODA put on back burner:  
Coordination of views on basic policy guidelines for fiscal 2008  
budget reaching final stage

NIKKEI (Page 3) (Almost full)  
June 22, 2008

Government coordination of views over the compilation of basic

policy guidelines on economic and fiscal management for the fiscal 2008 national budget is reaching its final stage. The focus is on the extent of restraints on social security expenditures and cuts in public works spending. However, the Council on Economic and Fiscal Policy (CEFP) has discussed little about expenditures in such areas as education, official development assistance (ODA), and the local allocation tax, where demand for more allocations is high. The basic policy guidelines call for maximum spending cuts. However, specific issues on those spending areas have been apparently put off until the year-end budget compilation.

The basic policy guidelines for fiscal 2008 are to be adopted at a cabinet meeting on June 27, after going through discussions by the CEFP and the ruling parties on June 23.

Though no discussions have taken place on education at official venues, a fierce clash over the specifics of descriptions is continuing behind the door. A proposal to make preschool free has newly been added to the draft, though it was not included in the rough plan.

The Ministry of Education, Culture, Sports, Science and Technology (MEXT) had wanted to adopt at a cabinet meeting in June a basic education promotion program including a numerical target for investment in public education and a significant increase in teachers to have them reflected in the basic policy guidelines. However, the Finance Ministry has remained opposed to MEXT's proposal. Chief Cabinet Secretary Nobutaka Machimura on June 20 expressed his hope to see a settlement reached through negotiations between the chiefs of the two ministries. However, decision-making

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at a cabinet meeting will most likely be put off, with the Finance Ministry taking the stance that there is no room for negotiations as long as MEXT sticks to a numerical target.

The CEFP has also contained pressure for an increase in the ODA budget for the time being. The draft mentions that ODA for Africa is to be doubled, but it does not refer to aid types eligible for the increase. The Finance Ministry insisted that the volume of projects needed to be carried out should be secured through a revision of the contents of projects, noting that many projects financed by Japan's aid are costly in comparison with projects financed by international organizations. It is determined not to give in on the policy of cutting the ODA budget by 2 PERCENT -4 PERCENT, compared with the previous year's level over five years as stipulated in the basic policy guidelines for fiscal 2006.

No discussions on the local allocation tax, whose increase local governments are strongly calling for, have been held thus far. There are indications that now that local governments' interest has shifted to the distribution of revenues from an increase in the consumption tax, taking into account a debate on a consumption tax hike likely to occur in the fall, related sources are determined to see how things go.

There are many crucial junctures to come before the year-end budget compilation, such as the compilation of guidelines for budget appropriation requests, talks on the reallocation of road construction revenues for other uses and discussion of the tax code reform to be held starting in the summer. Requests for an increase in expenditures are bound to emerge in other areas as well.

One senior Finance Ministry official said, "It is impossible to envision a budget at the stage of drafting basic policy guidelines.

Points of draft basic policy guidelines for fiscal 2008

(Economic growth strategy)

Promote 200-year housing.

Realize flights connecting Haneda Airport with Asian hubs at an early date.

Double the ODA budget to Africa.

(Administrative, fiscal and political reforms)

Overall check of special accounts

Free up special-purpose road construction revenues starting in fiscal 2009. Review how revenues are reallocated from the perspective of working people. Carry out maximum spending cuts in compliance with the basic policy guidelines for fiscal 2006 and 2007.

(Social security)

Settle shortage of obstetricians and pediatricians. Reduce the burden on low-income pensioners in implementing the new public health care system.

(Education)

Promote education, based on the basic education promotion program to be formulated anew. Consider free preschool in the future.

(2) Regular Diet session adjourned, with key bills carried over to next session

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NIKKEI (Page 5) (Full)  
June 21, 2008

The regular Diet session was adjourned yesterday. Given the opposition camp's control of the House of Councillors, such important pieces of legislation as a bill revising the Antimonopoly Law and one amending the National Pension law, without being discussed, were carried over to the next extraordinary Diet session to be convened after the summer. It is uncertain whether the bills will be enacted or not. Depending on their future course, a damper might be cast on the discussions on the government's structural reform and tax system reform.

Of the bills that have been carried over to the next session, the bill amending the Antimonopoly Law and a bill to create local industrial revitalization corporations were drawing attention in promoting the government's structural reform. The first bill is intended to bolster competition among companies by introducing stiffer penalties on firms that take the initiative in bid-rigging or cartel cases in a drive to prevent illegal acts. The local revitalization corporation bill is aimed to help local governments reconstruct their finances. It is an imminent task for the government to write off bad loans held by the third sector. But the Democratic Party of Japan (DPJ) opposed the bill, on the grounds that standards for aid to be provided remain unclear. There was no scene in which the main opposition presented countermeasures in order for the ruling and opposition camps to reach a compromise version.

In the health and labor sector, two important bills have been carried over. A bill amending the National Pension Law proposes adding about 130 billion yen to the state contribution amount of pensions, prior to the planned increase in the rate of the burden on the national treasury for basic pension benefit from 1/3 to 1/2 by FY2009. Finding revenues to fund the raised portion of state subsidy is a major theme in discussing drastic tax reform. But no conclusion on this fiscal revenue issue has yet to be reached.

The government's goal for trimming spending will be affected by the future course of a bill to have major corporations' health insurance unions assume the burden that the government-managed health insurance program joined by small to medium-sized companies place on the national treasury. Over the opposition of the companies and labor unions to be pressed with the additional burden, the government submitted the bill to the Diet session as a pillar among the specific measures for FY2008 to reduce 220 billion yen in annual growth of social insurance spending. The government expects a 100 billion yen spending cut with the measures in the bill. But if the bill is scrapped, it will become impossible to implement the planned spending cut for this fiscal year.

A bill revising the law to promote the return of the so-called "buried money" of independent administrative corporations to the national treasury is also among those carried over to the next Diet session. The bill is designed to have independent administrative

corporations return the income earned from selling their real assets such as land and buildings to the national treasury. Their assets are said to total more than 60 trillion yen. If this money is used effectively, it will become possible to streamline their business management

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(3) Japan, ASEAN expect to put EPA into effect this fall

NIKKEI (Page 5) (Full)  
June 21, 2008

An economic partnership agreement (EPA) between Japan and the Association of Southeast Asian nations (ASEAN) is likely to come into effect this fall after the countries concerned change their systems. Although the vote on a related bill was not taken in the House of Councillors as the opposition camp has control of the Upper House, the bill was automatically approved today under the relevant rule in the Constitution. This will be the first EPA involving more than one country for Japan.

Japan will gradually remove tariffs on agricultural products, excluding rice and dairy products, and industrial products. The 10 ASEAN countries will scrap tariffs on flat-TV sets and other products. In the next 10 years, Japan will repeal tariffs on 93 PERCENT of imports from ASEAN, while ASEAN will scrap tariffs on 91 PERCENT of imports from Japan. An official of the Ministry of Economy, Trade and Industry said: "We can expect an expansion of exports to the Asian market."

(4) Two weeks before G8 summit: Lake Toyako area already on high alert

SANKEI (Page 5) (Full)  
June 23, 2008

Only two weeks are left before the July 7 opening of the Group of Eight Toyako Summit in Hokkaido. An elaborate security setup has already been enforced in Toyako Town where The Windsor Hotel Toya, the venue for the Summit, is located. This is the second time for a local Japanese area to be chosen to host a G8 summit, following Okinawa. A source familiar with security affairs said: "Keeping guard in Toyako Town is more difficult than it was in Okinawa. A total of 1,200 police officers, more than double the number provided to the 2000 summit, have been deployed to guard world leaders. A Sankei reporter examined the Toyako area.

It takes about one hour to travel from New Chitose Airport to Lake Toyo.

"This area is on a heightened state of alarm. May I see your identification card?" said a police officer, who was checking passers-by. Check points for passers-by are located at two places on the mountain road leading to The Windsor Hotel Toya. Police are enforcing a tight security measure everywhere in the hot spring town of Toyako.

A middle-aged man who runs marine-products processing company said: "What has been changed with the G8 summit coming closer is the fact that the number of police officers has increased."

An elaborate security setup of about 22,000 police officers from across the nation, including Hokkaido, the Tokyo Metropolitan Department, and the Osaka Prefectural Police, has been enforced. Approximately 22,000 police officers were deployed also to the Kyushu-Okinawa summit. What is the major difference between the Hokkaido and Okinawa summits is the security system guarding world leaders having been enhanced.

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According to a person familiar with security protection, some 500 police officers were mobilized to guard world leaders at the Okinawa

summit, but more than 1,200 police officers will be responsible for guarding them at the summit in Hokkaido. In addition to the G8 member countries, a total of 15 countries are invited to a meeting to discuss anti-global warming measures, as well as to an expanded meeting on African Development. The reason for the 1,200 police officers is that the leaders of a record high of 23 countries will attend the G8 Hokkaido Toyako Summit.

Another reason for the 1,200 police is heightened concern about terrorist attacks because of the attacks on the United States in September 2001.

The government is now constructing a heliport near The Windsor Hotel for the transport of world leaders. However, the United States demanded that a heliport be built in an area closer to the hotel than the planned site. After a field investigation by its officials, the U.S. government agreed to build a heliport at the planned site. A U.S. government official said: "The United States is particularly sensitive about terrorism."

The special conditions of the weather in the Toyako area prevent the police from smoothly providing security. The Windsor Hotel is located on the top of the Mt. Poromoi which is 625 meters high, being surrounded by the Lake Toya and a crater lake. The hotel's geographical condition to make security easy was one of the reasons for it being chosen to be the venue for the G8 summit. But police officers are suffering from the unexpected enemy called "fog." Since the hotel is surrounded by the lake and sea, it is easily affected by fog. According to the result of statistics in the past five years by the Sapporo District Meteorological Observatory, the Lake Toya area was covered by fog the average of seven to eight days in July.

If the visibility is poor, it will be unable to use helicopters and the transportation method will have to be changed to ground vehicles. The source familiar with security affairs said: "Since land transportation has a greater risk of terrorism, police are more sensitive." The government, therefore, is concerned about the weather of the Toyako area during the three days of the G8 summit.

(5) Nago education board to start cultural heritage probe next month at Camp Schwab

RYUKYU SHIMPO (Page 2) (Abridged)  
June 20, 2008

NAGO, Okinawa Prefecture-Nago City's board of education will carry out an archeological survey in a barrack construction area of Camp Schwab for a period of four months from July through November in line with the government's plan to build an alternative facility for the U.S. military's Futenma airfield on Camp Schwab.

A study team from the city's board of education conducted preliminary surveys at two points in Camp Schwab's hillside and seaside areas. As a result, the team discovered the remains of a paddy field in the seaside area, where fragments of earthenware were found. The survey this time will be conducted in the seaside area only.

The board of education has asked the city's municipal assembly in its current session for its approval of an extra outlay from the

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city's budget to probe cultural properties. The board will start a full-fledged survey after the municipal assembly approves the budget.

(6) "Objective data" prepared for U.S. on Futenma traffic pattern

OKINAWA TIMES (Page 2) (Abridged)  
June 20, 2008

The Defense Ministry's Okinawa Defense Bureau conducted a monitoring survey of aircraft flying to and from the U.S. military's Futenma airfield through June 17 in response to a request from the city of Ginowan, which had complained that the U.S. military does not follow an intergovernmental agreement reached between Japan and the United

States on a traffic pattern set for Futenma-based aircraft to prevent crashes onto private land. However, the Defense Ministry will not make public the findings from the monitoring survey. "We'd like to think about how effectively we can show our findings to the U.S. military as objective data," Okinawa Defense Bureau Director General Ro Manabe said. The question is whether the data will reflect the facts noted by Ginowan and other base-hosting municipalities.

The Okinawa Defense Bureau, according to its press office, started the aircraft monitoring survey on May 28. Its personnel checked the routes of aircraft flying near Futenma airfield between 7 a.m. and 7 p.m., except on Saturdays and Sundays, and ended the 15-day monitoring period on June 17.

The review of aircraft traffic patterns was touched off by the crash of a U.S. Marine Corps CH-53 helicopter into the campus of Okinawa International University in August 2004. The Japanese and U.S. governments held consultations and announced a safety plan in August last year.

The U.S. Marines in Okinawa have told the Okinawa Defense Bureau that the U.S. military follows the bilateral agreement, in which Japan and the United States reviewed the traffic patterns of U.S. military aircraft to and from Futenma airfield, according to the bureau's press office. The bureau says the U.S. military has been sincerely taking various specific measures.

"Local residents may wonder if the U.S. military follows the agreement, so we're studying how to obtain objective data," a bureau official said, explaining why the bureau conducted the monitoring survey.

"Even if the U.S. military follows the traffic pattern, local residents will be in danger and will suffer from noise as long as helicopters fly." So saying, a senior official of the Okinawa prefectural government showed a cold response.

Ginowan City takes a positive view of the Okinawa Defense Bureau's monitoring survey as a result of its request to the government. However, more than half of the Marine Corps' 27 Futenma-based midsize and heavy lift helicopters, such as the CH-46 and the CH-53, have been participating in the Cobra Gold exercise in Thailand since early this May, and their return has yet to be confirmed as of June 19. The remaining six CH-53 helicopters have not been in training, with their rotor blades removed early this month.

Shigeo Yamauchi, chief of the Base Policy Department at Ginowan

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City's municipal government office, noted that the frequency of Futenma-based aircraft training has decreased sharply since May. "We can't get accurate data from a survey at this point," Yamauchi said, adding, "We don't want the government to use such data for its consultations with the U.S. military." With this, the city government is asking the bureau to look again into the flight paths of Futenma-based choppers after their return.

(7) Schwab fit for Futenma relocation: USFJ chief

RYUKYU SHIMPO (Page 1) (Full)  
June 21, 2008

U.S. Forces Japan Commander Lt. Gen. Edward Rice met the press yesterday at the U.S. Air Force's Kadena base in Okinawa Prefecture and stressed there that the United States would not negotiate Okinawa Gov. Hirokazu Nakaima's call for moving the relocation site of an alternative facility planned for Futenma airfield to an offshore area. "Camp Schwab is fit for the Futenma relocation. I hope the Futenma relocation will be carried out in accordance with our agreement," Rice said. He added: "We've agreed on the appropriate location, so we want to maintain this agreement as a package. The agreement is not with a local government; it is with the Japanese government."

Referring to the early morning takeoffs of Kadena-based F-15 fighter

jets, Rice underscored the U.S. military's efforts to alleviate Okinawa's base-hosting burden. "We're also making efforts (to reduce the impact of such early morning takeoffs)," Rice said. He went on: "In terms of frequency, there are now fewer takeoffs. I also know that each flight impacts on local residents."

Rice also touched on the tactic of turning around via another base, saying: "You may simply think we can go to another place. But actually, it's more complicated. In the case of Guam, it depends on what kind of aircraft are already there."

Meanwhile, Nakaima has been calling for eliminating the danger of Futenma airfield. "It's impossible to close down the base to remove the danger," Rice said. He added, "When the replacement facility is built and when we're ready to relocate the base, it will be operational."

Rice also emphasized the importance of Okinawa's geographic location, saying: "I can now better understand the importance of Okinawa. Okinawa's location is very strategic. Futenma airfield's relocation to the northern part (of Okinawa's main island) is very important for our bilateral relations."

Concerning the question of how to prevent U.S. military personnel incidents, Rice remarked that the U.S. military has been making various efforts since February. "We will continue to improve (the preventive measures)," he said. "Our efforts will continue as long as we are in Okinawa."

This is the first time for Rice to visit Okinawa. He also visited Camp Schwab, a U.S. military base located at Henoko in the prefecture's northern coastal city of Nago, where Futenma airfield will be relocated. Rice said: "I needed to see the relocation site with my own eyes to understand how important the relocation plan is. That's one of my major purposes."

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SCHIEFFER